

Form 388

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Copy of financial statements and reports

Company details

Company name

ADORE BEAUTY PTY LIMITED

ACN

123 655 783

Lodgement details

Registered agent number

35980

Registered agent name

SYRACUSE PTY LTD

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial
year ends

Financial year end date

30-06-2018

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

52766517

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

10031280

How many employees are employed by the large proprietary company and the entities that it controls?

66

How many members does the large proprietary company have?

2

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

Details of current auditor or auditors

Appointment of an auditor

Date of appointment **13-03-2015**

ASIC registered auditor number
313836

Name of Auditor

LDB AUDIT SERVICES PTY LTD

Address

**'LDB GROUP - 9' SUITE 3
1-3 ALBERT STREET
BLACKBURN VIC 3130
Australia**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Agent

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authenticated by	
Name	SYRACUSE PTY LTD
This form has been submitted by	
Name	Margo WILCKENS
Date	17-09-2018

For more help or information

Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
Telephone	1300 300 630

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Financial Statements

For the Year Ended 30 June 2018

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Contents

For the Year Ended 30 June 2018

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Adore Beauty Pty Ltd

ABN: 38 123 655 783

Directors' Report

30 June 2018

The directors present their report on Adore Beauty Pty Ltd for the financial year ended 30 June 2018.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

James Height

Katy Morris

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of Adore Beauty Pty Ltd during the financial year was retail online cosmetic.

No significant changes in the nature of the Company's activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The profit of the Company after providing for income tax amounted to \$ 1,671,090 (2017: \$ 980,353).

Dividends paid or recommended

Dividends paid or declared during or since the end of the financial year are as follows:

- A fully franked dividend of \$ 350,000 was declared on 16 August 2017 for payment for the year ended 30 June 2018.

Review of operations

A review of the operations of the Company during the financial year and the results of those operations show robust growth in the revenue on the back of strong demand for online beauty products.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Directors' Report

30 June 2018

3. Other items continued

Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Adore Beauty Pty Ltd.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:
James Height

Director:
Katy Morris

Dated this 14th day of September 2018

LDB Audit Services Pty Ltd

ACN 123 774 569 ABN 59 123 774 569

1-3 Albert Street, Blackburn Vic 3130

PO Box 550, Blackburn Vic 3130

Telephone: 03 9875 2900

Facsimile: 03 9875 2999

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Working as One

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Adore Beauty Pty Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



HILTON MILLER

Melbourne
Dated this 14TH day of September 2018

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Sales revenue	4	52,766,517	27,981,246
Cost of sales		<u>(36,832,424)</u>	<u>(19,413,705)</u>
Gross profit		15,934,093	8,567,541
Other income	4	110,200	63,108
Marketing expenses		(4,607,220)	(1,945,136)
Occupancy costs		(266,533)	(167,624)
Administrative expenses		(5,399,847)	(3,462,519)
Other expenses		(2,435,901)	(1,777,101)
Finance costs	5	<u>(984,874)</u>	<u>(42,210)</u>
Profit before income tax		2,349,918	1,236,059
Income tax expense	6	<u>(678,828)</u>	<u>(255,706)</u>
Profit from continuing operations		<u>1,671,090</u>	<u>980,353</u>
Profit for the year		<u>1,671,090</u>	<u>980,353</u>
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Items that will be reclassified to profit or loss when specific conditions are met			
Total comprehensive income for the year		<u>1,671,090</u>	<u>980,353</u>

The accompanying notes form part of these financial statements.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Statement of Financial Position**As At 30 June 2018**

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,836,632	1,458,346
Trade and other receivables	8	395,441	23,881
Inventories	9	6,073,156	2,173,015
Other assets	12	867,523	279,940
TOTAL CURRENT ASSETS		9,172,752	3,935,182
NON-CURRENT ASSETS			
Plant and equipment	10	772,926	412,375
Deferred tax assets		77,313	87,633
Intangible assets	11	8,289	6,880
TOTAL NON-CURRENT ASSETS		858,528	506,888
TOTAL ASSETS		10,031,280	4,442,070
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	5,754,331	1,788,301
Borrowings	14	284,456	448,009
Current tax liabilities		669,408	343,339
Employee benefits	15	230,114	230,540
TOTAL CURRENT LIABILITIES		6,938,309	2,810,189
NON-CURRENT LIABILITIES			
Borrowings	14	1,110,000	970,000
TOTAL NON-CURRENT LIABILITIES		1,110,000	970,000
TOTAL LIABILITIES		8,048,309	3,780,189
NET ASSETS		1,982,971	661,881
EQUITY			
Issued capital	16	100	100
Retained earnings		1,982,871	661,781
TOTAL EQUITY		1,982,971	661,881

The accompanying notes form part of these financial statements.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Statement of Changes in Equity For the Year Ended 30 June 2018

2018

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2017	100	661,781	661,881
Profit attributable to members of the parent entity	-	1,671,090	1,671,090
Transactions with owners in their capacity as owners			
Dividends provided for or paid	-	(350,000)	(350,000)
Balance at 30 June 2018	100	1,982,871	1,982,971

2017

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2016	1,250,100	(292,718)	957,382
Shares issued/(cancelled) during the year	(1,250,000)	-	(1,250,000)
Profit attributable to members of the parent entity	-	980,353	980,353
Transactions with owners in their capacity as owners			
Dividends provided for or paid	-	(25,854)	(25,854)
Balance at 30 June 2017	100	661,781	661,881

The accompanying notes form part of these financial statements.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Statement of Cash Flows
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		52,245,297	28,091,246
Interest received		10,925	4,231
Tax paid		(342,439)	-
Finance cost		(984,874)	(42,210)
Payments to suppliers and employees		(49,617,960)	(27,213,543)
Net cash provided by operating activities	20	1,310,949	839,724
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for purchase of plant and equipment		(559,379)	(146,581)
Net cash used in investing activities		(559,379)	(146,581)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayment of)/(Proceeds from loans and borrowings		(23,284)	1,249,631
Dividend paid		(350,000)	(25,854)
Repurchase of share capital		-	(1,250,000)
Net cash used in financing activities		(373,284)	(26,223)
Net increase in cash and cash equivalents held		378,286	666,920
Cash and cash equivalents at beginning of year		1,458,346	791,426
Cash and cash equivalents at end of financial year	7	1,836,632	1,458,346

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers as an individual entity. is a for-profit proprietary Company, incorporated and domiciled in Australia.

The functional and presentation currency of is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the financial statements and Directors' Report have been rounded to the nearest dollar.

1 Basis of Preparation

In the Directors opinion, the Company is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. This special purpose financial report has been prepared to meet the reporting requirements of the *Corporations Act 2001*.

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and Accounting Interpretations, and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 1054 *Australian Additional Disclosures*.

2 Summary of Significant Accounting Policies

(a) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(a) Income Tax continued

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(b) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Interest revenue

Interest is recognised using the effective interest method.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(d) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(g) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Plant and equipment, excluding Websites and motor vehicles, are depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The estimated useful lives/depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Useful life/ depreciation rate
Office Equipment	2.5%-20%
Computer Software	50%
Motor Vehicles	25%
Websites	25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(h) Financial instruments continued

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(h) Financial instruments continued

income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(j) Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 10 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(l) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies continued

(n) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 15 Revenue from contracts with customers AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15 AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for NFP entities AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP entities	Annual reporting periods beginning on or after 30 June 2019	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.	The entity has not reviewed the impact on the financial statements
AASB 16 Leases	Annual reporting periods beginning on or after 30 June 2020	AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.	The entity has not reviewed the impact on the financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2018

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment of plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - fair value of financial instruments

The Company has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgments - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Notes to the Financial Statements For the Year Ended 30 June 2018

4 Revenue and Other Income

Revenue from continuing operations

	2018	2017
	\$	\$
Sales revenue		
- sale of goods	<u>52,766,517</u>	<u>27,981,246</u>
Total Revenue	<u>52,766,517</u>	<u>27,981,246</u>
Other Income		
- other interest received	10,925	4,231
- other income	59,275	58,876
- grants	<u>40,000</u>	<u>-</u>
	<u>110,200</u>	<u>63,107</u>

5 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

	2018	2017
	\$	\$
Finance Costs		
Financial liabilities measured at amortised cost:		
- Other finance costs	<u>984,874</u>	<u>42,210</u>
Total finance costs	<u>984,874</u>	<u>42,210</u>

The result for the year includes the following specific expenses:

Other expenses:

Net loss on disposal of property,
plant and equipment

	<u>-</u>	<u>11,735</u>
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Adore Beauty Pty Ltd

ABN: 38 123 655 783

Notes to the Financial Statements For the Year Ended 30 June 2018

6 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2018	2017
	\$	\$
Current tax expense		
Current tax	668,508	343,339
Deferred tax expense		
Deferred tax	10,320	(87,633)
Income tax expense for continuing operations	678,828	255,706

(b) Reconciliation of income tax to accounting profit:

	2018	2017
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%)	704,976	370,818
Add:		
Tax effect of:		
- non-deductible expenses	196,486	187,181
- expenses subject to R&D tax offset	92,462	-
	993,924	557,999
Less:		
Tax effect of:		
- Disallowed expenses	206,756	108,132
- R&D Tax Offset	118,660	-
- Deferred tax adjustment	(10,320)	87,633
Recoupment of prior year tax losses not previously brought to account	-	106,528
Income tax expense	678,828	255,706

7 Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank and in hand	1,836,632	1,458,346
	1,836,632	1,458,346

Adore Beauty Pty Ltd

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Notes to the Financial Statements For the Year Ended 30 June 2018

8 Trade and Other Receivables

	2018	2017
	\$	\$
CURRENT		
Trade receivables	15,139	22,214
	<u>15,139</u>	<u>22,214</u>
Other receivable	302	1,667
Accrued income	380,000	-
	<u>380,000</u>	<u>-</u>
Total current trade and other receivables	<u>395,441</u>	<u>23,881</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

9 Inventories

	2018	2017
	\$	\$
CURRENT		
At cost:		
Finished goods	6,073,156	2,173,015
	<u>6,073,156</u>	<u>2,173,015</u>

Write downs of inventories to net realisable value during the year were \$ NIL (2017: \$ NIL).

Adore Beauty Pty Ltd

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Notes to the Financial Statements For the Year Ended 30 June 2018

10 Plant and equipment

	2018 \$	2017 \$
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	72,772	-
Motor vehicles		
At cost	21,391	21,391
Accumulated depreciation	(14,623)	(12,367)
Total motor vehicles	6,768	9,024
Office equipment		
At cost	271,285	103,448
Accumulated depreciation	(52,815)	(24,778)
Total office equipment	218,470	78,670
Computer software		
At cost	133,979	82,167
Accumulated depreciation	(80,001)	(56,493)
Total computer software	53,978	25,674
Website		
At cost	1,010,044	746,340
Accumulated depreciation	(589,106)	(447,333)
Total Website	420,938	299,007
Total plant and equipment	772,926	412,375

Notes to the Financial Statements**For the Year Ended 30 June 2018****10 Plant and equipment continued****(a) Movements in carrying amounts of plant and equipment**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress	Motor Vehicles	Office Equipment	Computer Software	Computer website	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2018						
Balance at the beginning of year	-	9,024	78,670	25,674	299,007	412,375
Additions	72,772	-	167,836	51,813	263,704	556,125
Depreciation expense	-	(2,256)	(28,037)	(23,508)	(141,773)	(195,574)
Balance at the end of the year	72,772	6,768	218,469	53,979	420,938	772,926

	Capital Works in Progress	Motor Vehicles	Office Equipment	Computer Software	Computer website	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2017						
Balance at the beginning of year	-	12,032	49,109	16,702	298,860	376,703
Additions	-	-	40,198	21,409	78,724	140,331
Depreciation expense	-	(3,008)	(10,637)	(12,437)	(78,577)	(104,659)
Balance at the end of the year	-	9,024	78,670	25,674	299,007	412,375

Notes to the Financial Statements

For the Year Ended 30 June 2018

11 Intangible Assets

	2018	2017
	\$	\$
Patents, trademarks and other rights		
Cost	5,958	2,703
Accumulated amortisation and impairment	(1,967)	(1,371)
Net carrying value	3,991	1,332
	2018	2017
	\$	\$
Borrowing costs		
Cost	6,250	6,250
Accumulated amortisation and impairment	(1,952)	(702)
Net carrying value	4,298	5,548
Total Intangibles	8,289	6,880

(a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights	Borrowing costs	Total
	\$	\$	\$
Year ended 30 June 2018			
Balance at the beginning of the year	1,332	5,548	6,880
Additions	3,255	-	3,255
Amortisation	(596)	(1,250)	(1,846)
Closing value at 30 June 2018	3,991	4,298	8,289

	Patents, trademarks and other rights	Borrowing costs	Total
	\$	\$	\$
Year ended 30 June 2017			
Balance at the beginning of the year	9,150	-	9,150
Additions	-	6,250	6,250
Amortisation	(1,113)	(702)	(1,815)
Other changes, movements	(6,705)	-	(6,705)
Closing value at 30 June 2017	1,332	5,548	6,880

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Notes to the Financial Statements For the Year Ended 30 June 2018

12 Other Assets

	2018	2017
	\$	\$
CURRENT		
Prepayments	750,248	242,716
Security deposit	117,275	37,224
	<u>867,523</u>	<u>279,940</u>

13 Trade and Other Payables

	2018	2017
	\$	\$
Current		
Trade payables	5,042,533	1,436,015
GST payable	53,744	-
Accrued expense	22,821	117,223
Other payables	635,233	235,063
	<u>5,754,331</u>	<u>1,788,301</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

14 Borrowings

	2018	2017
	\$	\$
CURRENT		
Unsecured liabilities:		
Other loans	(52,616)	-
	<u>(52,616)</u>	<u>-</u>
Secured liabilities:		
Bank loans	-	140,000
Other loans	337,072	308,009
	<u>337,072</u>	<u>448,009</u>
Total current borrowings	<u>284,456</u>	<u>448,009</u>

	2018	2017
	\$	\$
NON-CURRENT		
Secured liabilities:		
Bank loans	1,110,000	970,000
	<u>1,110,000</u>	<u>970,000</u>
Total non-current borrowings	<u>1,110,000</u>	<u>970,000</u>
Total borrowings	<u>1,394,456</u>	<u>1,418,009</u>

Adore Beauty Pty Ltd

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Notes to the Financial Statements For the Year Ended 30 June 2018

15 Employee Benefits

	2018	2017
	\$	\$
Current liabilities		
Long service leave	17,008	122,565
Provision for annual leave	213,106	107,975
	<u>230,114</u>	<u>230,540</u>

16 Issued Capital

	2018	2017
	\$	\$
750000 (2017: 750000) Ordinary shares	100	100

(a) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

17 Dividends

	2018	2017
	\$	\$
The following dividends were declared and paid:		
Final franked ordinary dividend of 0.4667 (2017: 0.0345) cents per share	350,000	25,854

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

18 Auditors' Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor 'LDB Group'		
- auditing or reviewing the financial statements	29,000	26,000

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Notes to the Financial Statements For the Year Ended 30 June 2018

19 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017: None).

20 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2018	2017
	\$	\$
Profit for the year	1,671,090	980,353
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	1,846	1,113
- depreciation	195,574	105,361
- asset written-off	-	6,706
Changes in assets and liabilities:		
- increase in trade and other receivables	(960,654)	(148,250)
- increase in inventories	(3,900,141)	(1,265,857)
- increase in trade and other payables	3,967,272	717,712
- increase in income taxes payable	336,389	255,706
- (Decrease)/ increase in employee benefits	(427)	186,880
Cashflows from operations	<u>1,310,949</u>	<u>839,724</u>

21 Events Occurring After the Reporting Date

The financial report was authorised for issue on 14 / 09 /2018 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

22 Statutory Information

The registered office and principal place of business of the company is:

Adore Beauty Pty Ltd
421 High Street
Northcote
VIC 3070

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Directors' Declaration

The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 24, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
James Height

Director
Katy Morris

Dated this 15th day of September 2018

LDB Audit Services Pty Ltd

ACN 123 774 569 ABN 59 123 774 569

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Working as One

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Independent Audit Report to the members of Adore Beauty Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a special purpose financial report of Adore Beauty Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Adore Beauty Pty Ltd

ABN: 38 123 655 783

Independent Audit Report to the members of Adore Beauty Pty Ltd

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

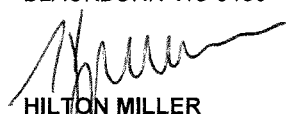
In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



LDB Audit Services Pty Ltd
1-3 Albert Street
BLACKBURN VIC 3130



HILTON MILLER
DIRECTOR

Melbourne

Dated this 14TH day of September 2018